NABISCO®

Principal United States Operations

BISCUIT DIVISION
Atlanta, Georgia (Cookies, crackers)
Buena Park, California (Cookies, crackers, snack foods)
Chicago, Illinois (Cookies, crackers, pretzels, toaster pastries)
Dayton, Ohio (Cones)
Denver, Colorado (Cookies, crackers)
Fair Lawn, New Jersey (Cookies, crackers)
Houston, Texas (Cookies, crackers)
Philadelphia, Pennsylvania (Cookies, crackers)
Pittsburgh, Pennsylvania (Cookies, crackers, snack foods)
Portland, Oregon (Cookies, crackers, cones)
Richmond, Virginia (Cookies, crackers, pretzels)
St. Louis, Missouri (Crackers)
Wrightstown, Wisconsin (Cheese spreads)

SPECIAL PRODUCTS DIVISION
Bridgeview, Illinois (Pet foods)
Buffalo, New York (Pet foods)
Minneapolis, Minnesota (Cereals)
Naperville, Illinois (Cereals, cake mixes)
Niagara Falls, New York (Cereals)
Oakland, California (Cereals)
Woodbury, Georgia (Pimientos, dates, steamed breads, peanuts)

CONFECTIONERY DIVISION
Nabisco Confections, Inc.
Cambridge, Massachusetts (Candy)
Los Angeles, California (Candy)
Mansfield, Massachusetts (Chocolate, candy)
Fred W. Amend Co.
Danville, Illinois (Candy)

PROTEIN FOODS DIVISION
Morristown, Indiana (Textured vegetable proteins)

THE J. B. WILLIAMS COMPANY, INC.
Booneville, Arkansas (Combs)
Cranford, New Jersey (Pharmaceuticals, toiletries)

AURORA PRODUCTS CORP.
Downey, California (Hobby motors)
Secaucus, New Jersey (Games)
West Hempstead, New York (Model Motoring, games)
Yaphank, New York (Motors)

FREEZER QUEEN FOODS, INC.
Buffalo, New York (Frozen foods)

ASSOCIATED PRODUCTS, INC.
Brooklyn, New York (Home furnishings)
Closter, New Jersey (Fabrics)
Gardena, California (Home furnishings)
Tualatin, Oregon (Pet foods)

OTHER FACILITIES
Beacon, New York (Printing plant)
Carthage, Missouri (Flour mill)
Cheney, Washington (Flour mill)
Evanston, Illinois (Machine shop)
Fair Lawn, New Jersey (Research and development)
Marseilles, Illinois (Boxboard and printing plant)
Toledo, Ohio (Flour mill)

Transfer Agents

Morgan Guaranty Trust Company of New York,
30 West Broadway, New York, N.Y. 10015

Continental Illinois National Bank and Trust Company of Chicago,
231 South LaSalle Street, Chicago, Ill. 60693

Crocker National Bank,
155 Fifth Street, San Francisco, Calif. 94103

Registrars

Morgan Guaranty Trust Company of New York
30 West Broadway, New York, N.Y. 10015

The First National Bank of Chicago,
One First National Plaza, Chicago, Ill. 60670

Bank of America,
Box 37105, San Francisco, Calif. 94137

Debentures Trustees

Bankers Trust Company,
16 Wall Street, New York, N.Y. 10015

Morgan Guaranty Trust Company of New York
23 Wall Street, New York, N.Y. 10015

Principal Exchanges

New York
Midwest
Pacific Coast
Amsterdam
Paris

Principal International Operations

AUSTRALIA
Nabisco Pty., Limited

CANADA
Christie, Brown & Company, Limited
Nabisco Limited:
Christie's Bread Division
Nabisco Foods Division

DENMARK
Oxford Biscuit Factory Limited

ENGLAND
Nabisco Limited:
Nabisco Foods Division
Nabisco-Frears Biscuits Division

FRANCE
Biscuits Belin, S.A.
International Training and Research Center

GERMANY
B. Sprengel & Co.
XOX-Nabisco GmbH

ITALY
Saiwa, S.p.A.

JAPAN
Yamazaki-Nabisco Co., Ltd.

MEXICO
Nabisco-Famosa, S.A.

NEW ZEALAND
Griffin & Sons Limited

NICARAGUA
Industrias Nabisco Cristal, S.A.

PUERTO RICO
Arbona Hermanos Division
Toa Baja Sales Branch

REPUBLIC OF SOUTH AFRICA
Pyott, Ltd.

SPAIN
Galletas Artiach, S.A.

VENEZUELA
Nabisco-LaFavorita C.A.

Printed in U. S. A.

1974 Annual Report

Board of Directors

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Chairman of the Executive Committee

BERFORD BRITTAIN, JR.*
Former Senior Vice President,
Continental Illinois National Bank & Trust Company of Chicago, Chicago, Ill.

VAL B. DIEHL*
President and Chief Operating Officer

KENNETH C. FOSTER†
Former President,
The Prudential Insurance Company of America, Newark, N.J.

DR. HELEN A. GUTHRIE
Professor of Nutrition,
Pennsylvania State University, University Park, Penna.

ROBERT W. HAACK‡
Director of various corporations

JAMES L. HAYES
President and Chief Executive Officer,
American Management Associations, Inc., New York

MORRIS L. LEVINSON
President, Associated Products, Inc.

CHARLES W. LUBIN‡
Food consultant and investor

DON G. MITCHELL*‡
Chairman, Executive Committee,
American Management Associations, Inc., New York

WILLIAM H. MOORE
Director and Former Chairman, Bankers Trust New York Corporation and Bankers Trust Company, New York

MATTHEW B. ROSENHAUS*
Vice Chairman of the Board

ROBERT M. SCHAEBERLE*
Chairman of the Board and Chief Executive Officer

PERRY M. SHOEMAKER†
Transportation consultant

JAMES O. WELCH†
Trustee and Director of various corporations

*Member of the Executive Committee
†Member of the Audit Committee
‡Member of the Compensation Committee

Office of the Chairman

ROBERT M. SCHAEBERLE
Chairman of the Board and Chief Executive Officer

MATTHEW B. ROSENHAUS
Vice Chairman of the Board

VAL B. DIEHL
President and Chief Operating Officer

Group and Senior Vice Presidents

ROBERT J. JONES, Group Vice President

EDWARD P. REDDING, Group Vice President

THEODORE G. RICHTER, Group Vice President

DAVID F. BULL, Senior Vice President

WARREN J. ROBERTSON, Senior Vice President

ROBERT L. SANFORD, Senior Vice President

Corporate Vice Presidents

CHARLES M. DIKER, President, Aurora Products Corp.

J. STEWART ENGLISH, Corporate Development

WALTER S. HALLIDAY, JR., General Counsel

HENRY L. HENDERSON, President, Special Products Division

ROY K. KELLEY, Consumer and Community Affairs

JOHN B. McGOVERN, Personnel Relations

FRANK K. MONTGOMERY, JR., Corporate Planning

EDWIN F. MUNDY, Traffic

CARL R. PILZ, Purchasing

ROBERT J. POWELSON, President, Biscuit Division

HARRY F. SCHROETER, Communications

DWIGHT H. SCOTT, Government Relations

PAUL L. SNYDER, President, Freezer Queen Foods, Inc.

JAMES O. WELCH, JR., President, Nabisco Confections, Inc.

RICHARD H. GAVOOR, Controller

KENNETH M. HATCHER, Secretary

C. RICHARD OWENS, Treasurer

The approximate present value of net noncapitalized financing lease commitments at December 31, 1974, discounted at interest rates ranging from 4.0% to 12.0% (a weighted-average interest rate of 7.4%), amounted to $66,951,000. If such leases had been capitalized and the related assets amortized on a straight-line basis and interest cost accrued on the outstanding lease liability, net income for the years 1974 and 1973 would not have been materially affected.

Rental expense charged to income amounted to $14,700,000 and $13,067,000 (including $4,853,000 and $4,598,000 of net noncapitalized financing lease rentals) in 1974 and 1973, respectively.

Litigation—On January 22, 1975 a verdict for damages in the amount of $3.3 million was awarded by a jury to Ralston Purina Company arising out of a lawsuit initiated in June, 1973 in connection with a contract entered into by a subsidiary of Nabisco to acquire a manufacturing facility from Ralston Purina Company in 1972.

In the opinion of management and outside counsel, the Company is not liable for damages in this action and valid legal grounds exist to warrant a reversal of this judgment. No provision has been reflected in the accounts.

Various other legal actions, governmental proceedings and claims are pending against the Company and certain of its subsidiaries. Although the amount of liability at December 31, 1974 with respect to such matters cannot be ascertained, in the opinion of Nabisco management the ultimate liability, if any, from all pending legal and government proceedings and other claims will not materially affect Nabisco's financial position or the results of its operations.

Availability of Form 10-K—A copy of the Company's Annual Report Form 10-K filed with the Securities and Exchange Commission will be furnished by writing to: Mr. K. M. Hatcher, Secretary, Nabisco, Inc., 425 Park Avenue, New York, New York 10022.

Report of Auditors

To the Shareholders of Nabisco, Inc.:

We have examined the consolidated balance sheet of Nabisco, Inc. and its subsidiaries as of December 31, 1974, and the related consolidated statements of income and retained earnings, capital stock and additional paid-in capital, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the consolidated financial statements for the year 1973.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of Nabisco, Inc. and its subsidiaries at December 31, 1974 and 1973, and the consolidated results of their operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

COOPERS & LYBRAND
1251 Avenue of the Americas
New York, N.Y. 10020

January 31, 1975

A reconciliation of the effective tax rates to the U.S. Federal statutory rate of 48% follows:

	1974 Amount	1974 %	1973 Amount	1973 %
Computed at 48% of pre-tax earnings	$44,491,000	48.0	$42,732,000	48.0
Increases (decreases):				
Effect of foreign losses not currently resulting in a tax benefit and foreign earnings taxed at other than the U.S. statutory rate	2,807,000	3.1	1,749,000	2.0
State and local income taxes, net of federal tax benefit	2,527,000	2.7	2,424,000	2.7
Other	(2,594,000)	(2.8)	(1,846,000)	(2.1)
As reported	$47,231,000	51.0	$45,059,000	50.6

U.S. income and foreign withholding taxes are provided currently on foreign subsidiaries' net earnings which are expected to be distributed to the parent company. Over the years, the Company has reinvested approximately $32,000,000 of subsidiaries' retained earnings to meet their operating needs and accordingly has not provided taxes on these amounts.

Stock Options—The shareholders have approved stock option plans for officers and key employees of the Company, which provide for the issuance of not more than 500,000 shares of the Company's common stock at not less than 100 per cent of the average market price on the date the options are granted. Transactions affecting options under the plans are summarized as follows:

	1974 Shares	1974 Option Price*	1973 Shares	1973 Option Price*
Granted	88,670	$34.31	105,161	$45.18
Exercised	—	—	11,000	$47.71
Expired or cancelled	47,967	$49.37	33,710	$49.81
Outstanding, end of year	285,314	$43.80	244,611	$48.33
Exercisable, end of year	187,479	$48.10	152,691	$49.95

*Represents the weighted-average price per share at the date options were granted.

At December 31, 1974, 151,200 shares were available for future grants under the plans.

Foreign operations are included in the financial statements at the following U.S. dollar amounts:

	1974	1973
Working capital	$ 53,716,000	$ 34,262,000
Net plant assets	159,181,000	153,550,000
Net sales	547,206,000	445,911,000
Net income	7,268,000	11,222,000

Included in net income is Nabisco's share of the results of operations for consolidated and unconsolidated subsidiaries and foreign exchange adjustments.

Foreign Exchange Adjustments—Foreign currency translation gains of $151,000 and $3,192,000 are included in net income in 1974 and 1973, respectively. In addition, Nabisco realized forward exchange contract gains, net of income taxes, amounting to $1,908,000 in 1974 and $577,000 in 1973.

Foreign exchange adjustments are included in "Miscellaneous income, net" in the Statement of Income and Retained Earnings.

Commitments, principally for new facilities in Toledo, Ohio, and Marseilles, Illinois, approximated $30 million at December 31, 1974.

In December, 1974, the Company sold and leased back under a long-term net lease its property located in East Hanover, New Jersey, which will become the Company's World Headquarters.

At December 31, 1974, Nabisco had minimum rental commitments under noncancellable leases having an initial term of one year or more as follows:

Period	Noncapitalized Financing Leases (Principally Real Estate)	Other (Principally Real Estate)	Total
1975	$ 4,979,000	$8,742,000	$13,721,000
1976	7,831,000	7,201,000	15,032,000
1977	7,630,000	6,371,000	14,001,000
1978	7,147,000	4,940,000	12,087,000
1979	6,998,000	4,312,000	11,310,000
1980 to 1984	30,699,000	8,694,000	39,393,000
1985 to 1989	28,299,000	1,790,000	30,089,000
1990 to 1994	28,489,000	819,000	29,308,000
1995 and after	61,875,000	213,000	62,088,000

Long-term Debt:

	December 31	
	1974	1973
6½% Guaranteed Debentures due October 1, 1982	$ 12,446,000	$ 13,630,000
4¾% Subordinated Debentures due April 1, 1987	29,835,000	29,835,000
5¼% Guaranteed Convertible Debentures due March 1, 1988	28,286,000	28,286,000
7¾% Sinking Fund Debentures due May 1, 2001	50,000,000	50,000,000
7¾% Sinking Fund Debentures due November 1, 2003	75,000,000	75,000,000
Other long-term debt	36,553,000	46,742,000
	232,120,000	243,493,000
Less current portion	(5,659,000)	(1,962,000)
Total long-term debt	$226,461,000	$241,531,000

The outstanding 5¼ per cent Guaranteed Convertible Debentures are convertible at $50.50 per share into approximately 560,000 shares of common stock.

At December 31, 1974, other long-term debt, maturing between 1975 and 2004, at a weighted-average interest rate of 7.67 per cent, consists principally of overseas bank financing.

The aggregate amount of maturities and sinking fund requirements for the four years following December 31, 1975 are: 1976, $5,991,000; 1977, $6,022,000; 1978, $5,292,000; 1979, $6,390,000.

Warrants substituted for those of Associated, which were outstanding at the date of acquisition, can be used to purchase 36,250 shares of Nabisco's common stock at $68.95 per share and expire on June 15, 1979.

Other Liabilities consist primarily of certain pension accruals and the deferred portion of amounts provided for management incentive awards.

Retirement Plans—The Company has a voluntary non-contributory pension plan, which has been approved by the shareholders, for employees not covered by union-industry pension plans. Certain subsidiaries have similar plans. The related pension expense is comprised of a provision for current-service costs and amortization of unfunded prior-service liabilities. In computing 1974 expenses, changes in actuarial assumptions, principally increasing the assumed interest rate and the period of amortization of prior-service liabilities, and increased costs associated with plan improvements, increased net income by approximately $300,000.

Annually, the Company pays to an independent trustee amounts sufficient to assure successful operation of its pension plan on an actuarial basis. In addition, the union-industry pension plans require contributions as defined in the union agreements. Total pension costs amounted to $20,723,000 in 1974 and $17,185,000 in 1973.

Effective January 1, 1975, the Company amended its pension plan for U.S. covered employees to include a vesting provision. If this improvement had been in effect at the most recent actuarial valuation date, estimated vested benefits would have exceeded the computed value of trust assets by approximately $50 million. The improvement is not expected to have a material effect on future pension expense.

Income Taxes are comprised of:

	1974	1973
Currently payable		
U.S. Federal	$27,717,000	$25,275,000
Foreign	6,170,000	7,636,000
State and local	4,859,000	4,661,000
	38,746,000	37,572,000
Deferred, principally U.S. Federal	8,485,000	7,487,000
	$47,231,000	$45,059,000

Deferred income taxes result primarily from the use of accelerated depreciation methods for tax purposes. Accumulated balances of deferred income taxes and investment credit were $32,529,000 and $7,966,000 at December 31, 1974 and $25,405,000 and $6,605,000 at December 31, 1973, respectively.

Research and Development costs are charged against earnings in the year in which they are incurred.

Translation of Foreign Currencies—Nabisco translates the accounts of subsidiaries which are stated in foreign currencies into U.S. dollars in the following manner: property, plant and equipment, accumulated depreciation and excess of investment in consolidated subsidiaries over net assets at historical rates; the remaining assets and liabilities at current rates of exchange. Revenue and expense items other than depreciation are translated at average rates of exchange in effect during the period the transactions occurred.

Generally, unrealized gains and losses from the foreign currency translation method as described above, as well as realized gains and losses from forward exchange contracts, are reflected in results of operations.

Net Income Per Share is based on the weighted average number of shares outstanding during the periods presented after giving effect to the potential dilutive effect of the exercise of stock options.

Notes to Financial Statements

Acquisitions—In October, 1973, Nabisco acquired Associated Products, Inc. ("Associated") for 867,230 shares of its common stock. The transaction has been accounted for as a pooling of interests. The consolidated results of operations for 1973 include Associated's net sales and net income of $71,651,000 and $3,835,000, respectively.

Property, Plant and Equipment:

	December 31	
	1974	1973
Land	$ 18,619,000	$ 18,530,000
Buildings	201,108,000	192,576,000
Machinery and Equipment	495,284,000	446,591,000
	715,011,000	657,697,000
Less accumulated depreciation	323,078,000	301,421,000
	$391,933,000	$356,276,000

Depreciation expense related to plant and equipment totaled $31,630,000 in 1974 and $26,255,000 in 1973.

Other Assets consist of prepaid expenses, deferred charges, and investments/advances to unconsolidated affiliates and others. Construction costs for facilities which are expected to be financed under sale-and-leaseback arrangements are also included.

Bank Loans and Other Debt Payable Within One Year—During October, 1974, Nabisco arranged with a group of U.S. banks for a revolving credit and term loan facility under which it may borrow up to $100 million on a 90-day revolving basis with maturities through February 1, 1978. On February 1, 1978, up to $100 million may be borrowed on a term note. The principal amount would be repayable beginning February 1, 1979 in equal semi-annual installments through 1982.

Under a Eurodollar credit facility negotiated with a group of foreign banks in November, 1974, Nabisco may borrow up to $50 million or, with the concurrence of the banks, the equivalent thereof in one or more alternative currencies on either a three or six months revolving basis through November 8, 1979.

The following summarizes certain information which relates to short-term borrowings:

	1974	1973
Average amount of short-term borrowings during the year	$136,000,000	$ 60,000,000
Maximum amount of short-term borrowings at any month-end	$210,000,000	$127,000,000
Weighted-average interest rate during the year	10.70%	8.75%
Weighted-average interest rate at December 31	10.67%	9.00%

NABISCO, INC.
AND CONSOLIDATED SUBSIDIARIES

Statement of Capital Stock and Additional Paid-in Capital
(Dollars in Thousands)

	Common Stock				Additional Paid-In Capital
	Issued		Treasury Stock		
	Shares	Amount	Shares	Amount	
Balance, January 1, 1973	16,001,658	$80,008	(42,798)	($2,502)	$2,575
Exercise of stock options	4,300	22	6,700	392	119
Issued in connection with incentive compensation plans	—	—	4,867	276	(9)
Issued upon conversion of debentures	39	—	—	—	2
Treasury stock acquired	—	—	(15,166)	(688)	(107)
Balance, December 31, 1973	16,005,997	80,030	(46,397)	(2,522)	2,580
Issued in connection with incentive compensation plans	—	—	3,796	205	1
Treasury stock acquired	—	—	(8,510)	(209)	(254)
Balance, December 31, 1974	16,005,997	$80,030	(51,111)	($2,526)	$2,327

(Financial statements should be read in conjunction with the statement of accounting policies and notes to financial statements on pages 15 through 19.)

Statement of Accounting Policies

Consolidation Policy—Nabisco consolidates its subsidiaries, except certain foreign subsidiaries which in the aggregate are not significant and are stated on the equity basis. The financial statements of foreign subsidiaries are included on a fiscal-year basis, ending principally on November 30, to facilitate prompt reporting of year-end consolidated results. For companies in which it has a substantial interest, but owns 50 percent or less, Nabisco records its share of net income.

Business Combinations—The net assets and results of operations of those businesses which are acquired in exchange for Nabisco common stock and qualify as poolings of interests are included in the financial statements as if they had always been subsidiaries. Accordingly, when such acquisitions take place, prior years' published financial data are restated.

The net assets of those businesses acquired, which are accounted for as purchases, are recorded at their fair values at the acquisition date and financial reports only include their operations from that date. The excess of acquisition cost over the fair value is included in the balance sheet as "Excess of investment in consolidated subsidiaries over net assets". That part of the excess which relates to acquisitions made in 1971 or thereafter is being reduced by annual charges against income over a 40-year period in accordance with generally accepted accounting principles effective at the beginning of that year. The excess which relates to acquisitions initiated prior to 1971 is not being amortized because, in the opinion of management, its value in relationship to values associated with operations has not diminished.

Inventories are stated principally at the lower of average cost or market.

Investment Credit—Nabisco generally recognizes the U.S. investment credit earned on capital additions by reducing income tax expense over the estimated useful lives of the related assets.

Property, Plant and Equipment are recorded at cost. For financial reporting purposes, Nabisco generally provides depreciation on buildings, machinery and equipment on a straight-line basis.

Maintenance and repairs are expensed in the year in which they are incurred. Expenditures which result in the enhancement of the value of the facilities involved are treated as additions to plant and equipment.

NABISCO, INC.
AND CONSOLIDATED SUBSIDIARIES

Statement of Changes in Financial Position

	Year Ended December 31 1974	1973
RESOURCES PROVIDED:		
Net income	**$ 45,458,000**	$ 43,967,000
Income charges (credits) not affecting working capital:		
Depreciation	**31,630,000**	26,255,000
Deferred income taxes and investment credit	**8,485,000**	7,404,000
Adjustment to conform Associated Products, Inc. reporting period to that of Nabisco, Inc.	—	(1,645,000)
Working capital provided from operations	**85,573,000**	75,981,000
Sale of 7¾% sinking fund debentures	—	75,000,000
Disposal of property, plant and equipment, net	**4,342,000**	5,821,000
Total resources provided	**89,915,000**	156,802,000
RESOURCES APPLIED:		
Dividends declared	**36,668,000**	35,176,000
Capital expenditures	**67,629,000**	92,057,000
Decrease (increase) in other long-term debt and liabilities	**14,545,000**	(22,702,000)
Current installment and repurchase of debentures	**1,501,000**	1,750,000
Increase in "other assets"	**4,636,000**	7,076,000
Miscellaneous, net	**1,758,000**	1,679,000
Total resources applied	**126,737,000**	115,036,000
Increase (decrease) in working capital	**($ 36,822,000)**	$ 41,766,000
CONSISTING OF THE FOLLOWING CHANGES:		
Increase (decrease) in current assets:		
Cash and short-term investments	**$ 9,144,000**	($ 21,140,000)
Accounts receivable	**30,074,000**	36,003,000
Inventories	**76,934,000**	72,284,000
	116,152,000	87,147,000
Increase (decrease) in current liabilities:		
Bank loans and other debt payable within one year	**125,555,000**	14,087,000
Accounts payable and accrued liabilities	**22,603,000**	37,022,000
Common dividend payable	—	499,000
Income taxes	**4,816,000**	(6,227,000)
	152,974,000	45,381,000
Increase (decrease) in working capital	**($ 36,822,000)**	$ 41,766,000

(Financial statements should be read in conjunction with the statement of accounting policies and notes to financial statements on pages 15 through 19.)

NABISCO, INC.
AND CONSOLIDATED SUBSIDIARIES

Balance Sheet

	December 31	
Assets	**1974**	**1973**
Current assets		
Cash	**$ 26,763,000**	$ 16,868,000
Short-term investments, at cost which approximates market	**7,055,000**	7,806,000
Accounts receivable	**190,632,000**	160,558,000
Inventories	**317,237,000**	240,303,000
Total current assets	**541,687,000**	425,535,000
Property, plant and equipment	**391,933,000**	356,276,000
Other assets	**37,534,000**	32,898,000
Excess of investment in consolidated subsidiaries over net assets	**75,696,000**	73,827,000
	$1,046,850,000	$888,536,000
Liabilities and Shareholders' Equity		
Current liabilities		
Bank loans and other debt payable within one year	**$ 171,262,000**	$ 45,707,000
Accounts payable	**84,175,000**	75,643,000
Accrued liabilities	**84,347,000**	70,276,000
Common dividend payable	**9,169,000**	9,169,000
Income taxes	**14,476,000**	9,660,000
Total current liabilities	**363,429,000**	210,455,000
Long-term debt	**226,461,000**	241,531,000
Other liabilities	**23,737,000**	20,713,000
Deferred income taxes and investment credit	**40,495,000**	32,010,000
Minority interests in consolidated subsidiaries	**7,924,000**	7,556,000
Shareholders' equity		
Capital stock, common—par value $5 Shares authorized 24,000,000	**80,030,000**	80,030,000
Additional paid-in capital	**2,327,000**	2,580,000
Retained earnings	**304,973,000**	296,183,000
Treasury stock, at cost	**(2,526,000)**	(2,522,000)
	384,804,000	376,271,000
	$1,046,850,000	$888,536,000

(Financial statements should be read in conjunction with the statement of accounting policies and notes to financial statements on pages 15 through 19.)

NABISCO, INC.
AND CONSOLIDATED SUBSIDIARIES

Statement of Income and Retained Earnings

	Year Ended December 31 1974	1973
Net sales	**$1,793,049,000**	$1,454,583,000
Cost of sales	**1,278,116,000**	989,328,000
Selling, general and administrative expenses	**400,501,000**	365,442,000
	1,678,617,000	1,354,770,000
Income from operations	**114,432,000**	99,813,000
Miscellaneous income, net	**9,127,000**	6,793,000
Interest expense	**(30,870,000)**	(17,580,000)
Income before income taxes	**92,689,000**	89,026,000
Income taxes	**47,231,000**	45,059,000
Net income	**45,458,000**	43,967,000
Retained earnings, beginning of year	**296,183,000**	289,647,000
Common dividends declared, $2.30 per share in 1974 and 1973	**(36,668,000)**	(35,176,000)
Dividends of Associated Products, Inc. before acquisition	–	(610,000)
Adjustment to conform Associated Products, Inc. reporting period to that of Nabisco, Inc.	–	(1,645,000)
Retained earnings, end of year	**$ 304,973,000**	$ 296,183,000
Net income per share of common stock	**$2.85**	$2.75

(Financial statements should be read in conjunction with the statement of accounting policies and notes to financial statements on pages 15 through 19.)

Dividends amounted to $2.30 per share in 1974, unchanged from the prior year, and represents the 76th consecutive year of dividend payments.

Capital Expenditures amounted to $68 million in 1974 after reaching a peak of $92 million in 1973. Major new production facilities in Richmond, Virginia and Evry, France added to production capacity in 1974. The Protein Foods Division completed its plant in Morristown, Indiana where VMR textured vegetable proteins will be produced for worldwide distribution.

Revolving Credit Agreements—During 1974, Nabisco completed revolving credit agreements which provide aggregate borrowing facilities of up to $150 million. These agreements replaced existing domestic bank lines of credit and were executed to improve the Company's short-term borrowing capability.

Net Sales By Quarter
(Millions of Dollars)

Quarter Ended	1974	1973
March 31	$ 407.1	$ 331.6
June 30	413.9	335.7
September 30 ..	441.4	365.9
December 31 ..	530.7	421.4
	$1,793.1	$1,454.6

Net Income By Quarter
(Millions of Dollars)

Quarter Ended	1974	1973
March 31	$ 9.9	$14.0
June 30	10.5	12.1
September 30	10.4	9.9
December 31	14.7	8.0
	$45.5	$44.0

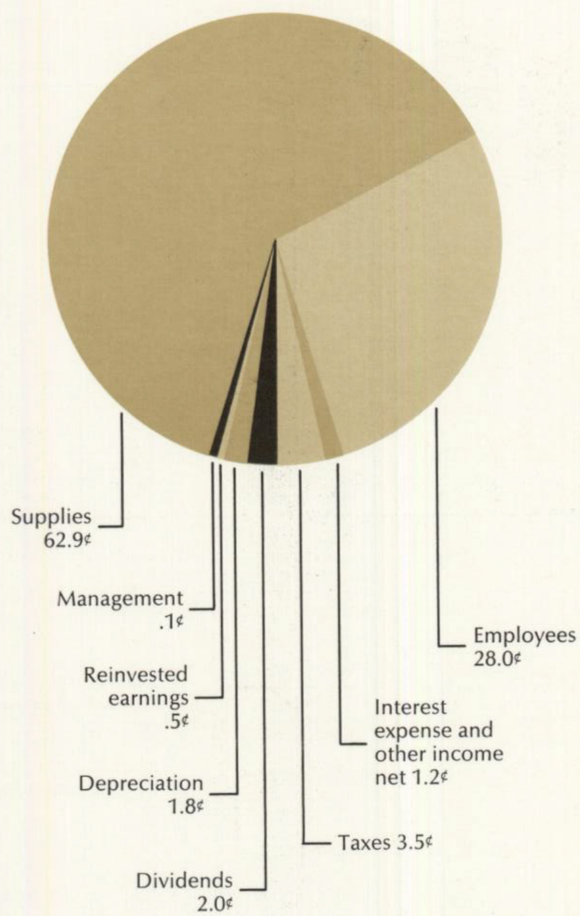
Dividends Paid By Quarter
(Per Share)

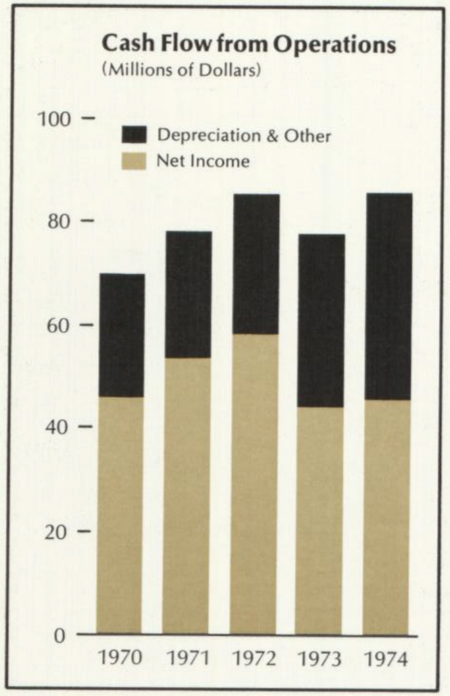
Quarter Ended	1974	1973
March 31	$ .575	$ .575
June 30	.575	.575
September 30 ..	.575	.575
December 31 ...	.575	.575
	$ 2.30	$ 2.30

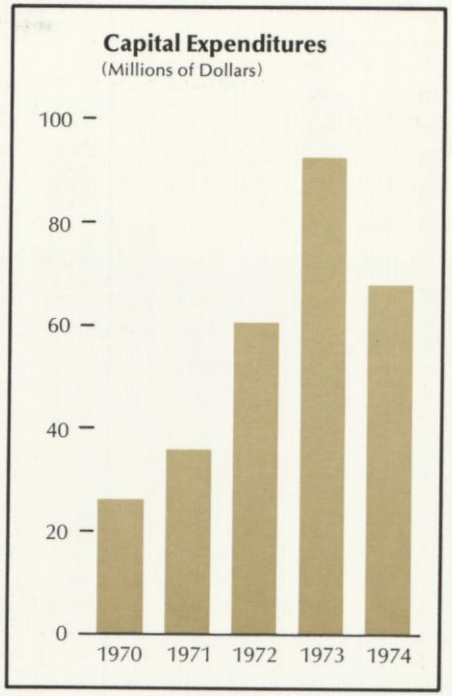
Prices Of Nabisco, Inc. Common Stock On New York Stock Exchange

Quarter Ended	1974 High	1974 Low	1973 High	1973 Low
March 31	$43	$31½	$61	$51
June 30	37⅝	32⅛	52¾	41¾
Sept. 30	33¼	22½	48⅜	38⅜
Dec. 31	28	21½	48⅜	35¼

How Each Worldwide Nabisco Sales Dollar Was Used







Summary of Financial Position

Dollars in Millions (Except Per Share Data)

	December 31				
	1974	1973	1972	1971	1970
Current assets	**$541.7**	$425.5	$338.4	$320.0	$260.7
Current liabilities	**363.4**	210.4	165.1	135.8	123.3
Working capital	**178.3**	215.1	173.3	184.2	137.4
Plant and equipment, net	**391.9**	356.3	296.3	252.0	233.2
Capital expenditures	**67.6**	92.1	60.2	35.9	26.3
Bank loans and other debt payable within one year	**171.3**	45.7	31.6	19.1	25.1
Long-term debt	**226.5**	241.5	146.9	148.7	98.0
Shareholders' equity	**384.8**	376.3	369.7	344.4	320.5
Shareholders' equity per share	**24.12**	23.58	23.17	21.60	20.13

Current Assets increased $116.2 million to $541.7 million at the end of 1974. Although the Company achieved a decrease in the average period that receivables are outstanding, accounts receivable increased $30.1 million due to selling price increases and expanded operations worldwide. Inventories increased $76.9 million resulting primarily from higher costs of materials and supplies and expanding operations. Significant management emphasis is being placed on the control of receivables and inventories in order to maintain these balances at the minimum required operating levels.

Current Liabilities of $363.4 million increased $153.0 million from last year, including a short-term debt increase of $121.9 million which was incurred to support increasing operational demands.

1973. Higher costs of salaries, wages and employee benefits, and increased costs of supplies and services purchased by the Company, have been partially offset by efficiencies and cost reductions.

Income from Operations increased 15% in 1974 after having decreased 21% in 1973. The 1974 improvement was achieved primarily through U.S. food operations' performance, principally cookies and crackers, cereals and pet foods. These operations were able to raise prices to partially recover increased costs following termination of price controls early in 1974. Controls prevented adequate cost recovery in 1973.

Foreign operations were down in 1974, particularly in Europe. Inflationary cost increases and price controls in many areas, which were factors in 1973, continued to affect 1974 results. Operations in Germany remain unprofitable. Work stoppages in Canada also affected operating income in 1974.

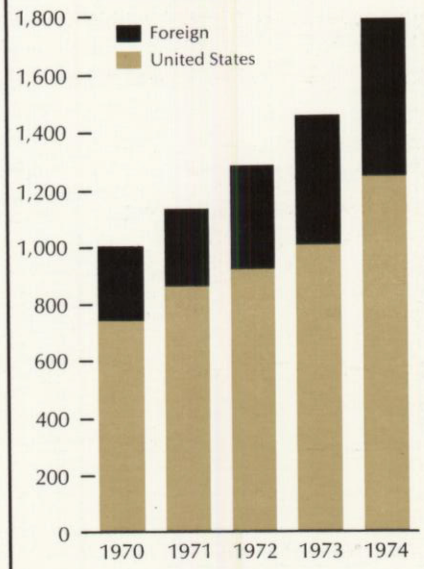
Aurora Products Corp., whose operating loss of approximately $3 million was a factor in the 1973 profit decline, remained at about the same level in 1974.

Miscellaneous Income, Net increased $2.3 million in 1974 and $4.4 million in 1973. Results of the Company's joint venture in Japan improved significantly in 1974. Gains from foreign exchange adjustments amounted to $3.8 million in 1974, $4.3 million in 1973 and were not material in previous years.

Interest Expense increased $13.3 million in 1974 and $5.6 million in 1973. In both years, higher short-term borrowings for increased working capital needs combined with rising interest rates resulted in the increased cost. Average short-term interest rates were 10.70% in 1974 and 8.75% in 1973. Also included in 1974 is a full year's interest cost related to the $75 million 7¾% debentures issued in November, 1973.

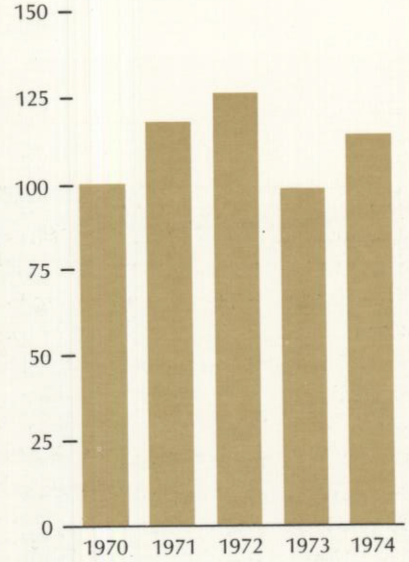
Net Income for 1974 totaled $45.5 million, compared to $44.0 million in 1973. Foreign operations contributed $7.3 million and $11.2 million to 1974 and 1973 results, respectively. Consolidated net income per share in 1974 amounted to $2.85, compared to $2.75 in 1973.

Net Sales by Geographic Area
(Millions of Dollars)

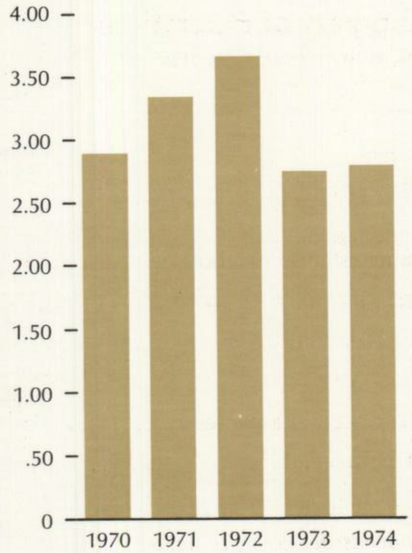


	1970	1971	1972	1973	1974
U.S.	$ 769	$ 864	$ 929	$1,009	$1,246
Europe	110	134	194	250	311
Canada	70	77	86	100	116
Australasia	25	26	38	56	69
Latin America	28	31	34	40	51
	$1,002	$1,132	$1,281	$1,455	$1,793

Income from Operations
(Millions of Dollars)



Earnings per Common Share
(Dollars)



Nabisco, Inc. is engaged in the manufacture and sale of a diverse line of consumer goods in the United States, Canada, Latin America, Australasia, and in the leading countries of Western Europe.

The Company is engaged in five lines of business: food, toys and games, pharmaceuticals, toiletries and home furnishings. None of the non-food lines of business individually constitute 10% or more of total sales volume and profits.

Included in the food business are such product lines as cookies and crackers (which accounts for 55% of consolidated sales); pretzels; ice cream cones; cheese spreads; snack products; hot and cold breakfast cereals; pet foods; specialty cake mixes; dates; pimientos; candies and frozen meat entrees. In addition, the Company produces and distributes a variety of non-food products, none of which individually contributes 10% or more of total sales.

The following sets forth a summary of Nabisco's operations and financial position for five years and management's analysis:

Summary of Operations

Dollars in Millions (Except per share data)

	Year Ended December 31				
	1974	1973	1972	1971	1970
Net sales	**$1,793.1**	$1,454.6	$1,281.2	$1,131.8	$1,002.3
Cost of sales	**1,278.1**	989.3	822.8	713.9	633.4
Selling, general and administrative expenses	**400.5**	365.5	332.2	299.6	268.7
Miscellaneous income, net	**(9.1)**	(6.8)	(2.4)	(4.3)	(3.6)
Interest expense	**30.9**	17.6	12.0	10.4	7.8
Income taxes	**47.2**	45.0	58.1	58.8	50.0
Total costs and expenses	**1,747.6**	1,410.6	1,222.7	1,078.4	956.3
Net income	**$ 45.5**	$ 44.0	$ 58.5	$ 53.4	$ 46.0
Net income per share	**$2.85**	$2.75	$3.66	$3.35	$2.90
Dividends declared per share	**$2.30**	$2.30	$2.225	$2.20	$2.20

Sales in 1974 achieved a record high of $1,793.1 million, an increase of $338.5 million or 23% over last year. This increase compares with an increase of 10% in 1973 over 1972, after adjusting 1973 sales for foreign currency rate changes and acquisitions. Price increases in the Company's products, required to offset significant cost increases, were a major factor in the 1974 worldwide sales increases. However, volume gains were achieved in many operations. The sales increase in 1973 was achieved by all major product categories.

Each of the five geographic regions in which Nabisco operates contributed to the sales increases in 1974 and 1973. Sales outside the U.S. now account for 31% of Nabisco's worldwide sales, as compared to 23% five years ago. Consolidated foreign sales amounted to $547.2 million compared with $445.9 million last year. Latin American operations recorded a particularly strong performance in 1974 with an overall unit sales gain contributing significantly to a 28% sales increase in this region.

Cost of Sales increased $288.8 million in 1974 and $166.5 million in 1973 reflecting increased sales volume and increased cost of materials and labor, some of which could not be adequately recovered because of price controls. In 1974, although sales price increases were implemented to offset cost increases in certain geographic regions, many countries remained under various forms of price controls.

Commodity markets remained volatile in 1974. For example, in the U.S. the market price of sugar, an important ingredient to Nabisco, increased 270% during the year. Similarly, shortening increased approximately 50%. The increases occurred concurrently with rapidly rising energy costs and labor and fringe benefit increases, and prevented a return to satisfactory profit margins. U.S. government statistics have confirmed that profit margins of U.S. food processors remain significantly below the average for all manufacturing industries.

The Company employs the average cost method for valuing its inventories. As a result of rapid inventory turnover in most of the Company's businesses, costs used in determining Cost of Sales approximated replacement costs.

Selling, General and Administrative Expenses increased 10% in 1974 and

country pub. They are crisp and savory, with a hearty roasted flavor.

From Aurora Products comes what has been described as the game of the year—Brunswick's AIR HOCKEY, perhaps the biggest home sports game to be introduced since ping-pong. In AIR HOCKEY, a player tries to shoot a plastic puck past his opponent into the equivalent of a goalie's net. A small electric motor under the table pumps air through hundreds of tiny perforations on the playing surface so that the puck literally flies through the air toward the goal.

KLONDIKE PETE'S CRUNCHY NUGGETS, from the Special Products Division, is a new pre-sweetened cereal available in Rice and Wheat varieties. These products are puffed cereals which are sweetened with a honey syrup. The character, Klondike Pete, is featured prominently on the package and stars in animated television commercials.

With nationality foods continuing to show strong sales trends, Freezer Queen Foods has added a line of International Favorites to its popular assortment of frozen meat entrees. Included in the line are Cheese Ravioli with Meatballs in Sauce, Spaghetti with Meatballs in Sauce, Chop Suey Vegetables with Beef and Lasagna in Meat Sauce.

A chemist at the Fair Lawn Research Center operates an Atomic Absorption Spectrophotometer to determine the amounts of key nutrients in food ingredients.

Protein Foods Division

Nabisco's Protein Foods Division, established two years ago to develop and market on a world-wide basis a new line of textured vegetable proteins, achieved noteworthy progress in the past year. The division improved its organization to seek new business overseas and it completed a new plant for the manufacture of its VMR line of high-quality vegetable protein.

In May, the company formed a new subsidiary, the Nabisco Protein Foods International Corporation. Headquartered in the General Offices in New York City, this unit also maintains a European office located in Brussels, Belgium. The main thrust of this operation is directed toward expanding markets for textured vegetable proteins throughout the world. Particular emphasis has been given to establishing contact with many of the developing nations where acute shortages of quality protein exist.

Agreements for the distribution of VMR textured vegetable proteins have been completed in several countries. Under the terms of a contract with Iran, the Protein Foods Division has shipped cookies and crackers containing VMR for distribution to some five million Iranian school children.

Late in the year we began production of the VMR line at a new plant in Morristown, Indiana. The plant will reach full production in 1975.

Management Changes

A number of executive changes took place in 1974.

Two Nabisco executives, Theodore G. Richter and Edward P. Redding, were elected Group Vice Presidents, effective June 1. Reporting to Mr. Richter are Canadian operations, Freezer Queen Foods, U.S. Confectionery operations and the Special Products Division. Mr. Redding has the International Division reporting to him as its President.

Three Senior Vice Presidents were also elected, effective June 1. These men are David F. Bull, Warren J. Robertson and Robert L. Sanford. Reporting to Mr. Bull are Government Relations, Consumer and Community Affairs, Planning and the New Products Division. Mr. Robertson has the Finance and Traffic functions reporting to him. Mr. Sanford has Engineering, Environmental Health and Research and Development reporting to him.

Robert J. Powelson was elected a Corporate Vice President and President of the Biscuit Division, effective June 1.

On September 3, Richard S. Creedon joined Nabisco as Assistant to the President. He has reporting to him the Communications Department and Food Services Division.

Four senior officers, who had occupied key management positions, retired during the year: Group Vice Presidents Farish A. Jenkins and Ralph W. Jones and Senior Vice Presidents Edward A. Otocka and Charles S. Webster. Their experience and direction contributed significantly to Nabisco's progress and the company is grateful for their achievements.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Highlights of the Year

Capital Expenditures and Productivity

Nabisco's operating results in 1974 directly reflect an increase in productivity and improved efficiency. These gains came chiefly through employee efforts and capital improvements.

Here, we present a few of 1974's capital programs which played an important role in achieving higher productivity.

RICHMOND, VIRGINIA—Start-up of Nabisco's newest bakery began in 1973, good progress was made in 1974 and at year end, five of the bakery's production lines were in operation.

Because of advanced technology and computerization, this bakery is the company's most efficient. Its ovens are wider and longer which result in increased production per oven. It has introduced new packaging techniques which are also adding to increased productivity.

TOLEDO, OHIO—Nabisco began construction of a new flour mill, the largest all-new milling facility to be built in the United States at one time. Adjacent to the company's present Toledo mill, this facility is scheduled for completion by late 1975.

NIAGARA FALLS, N.Y.—The Special Products Division has built a new distribution center next to its cereal bakery. The building has 160,000 square feet and will handle the distribution of Nabisco hot and cold cereals, pet foods and Dromedary products throughout the Atlantic and Northeast areas.

Work also began on the installation of an additional oven for the production of TRISCUIT Wafers in 1974. When completed in 1975, there will be three TRISCUIT ovens.

MARSEILLES, ILLINOIS—Nabisco launched a modernization program of its boxboard mill and printing plant. In the printing plant, Nabisco will gradually replace the letterpress operations with gravure presses and in-line cutters. The first gravure press will be in operation by mid-1975. New equipment for the board-producing mill is scheduled for start-up in 1975. Marseilles, along with a printing plant at Beacon, New York, produces most of Nabisco's printed cartons for domestic use.

CHICAGO, ILLINOIS—Nabisco began replacing its gas-fired Sugar Wafer ovens with electric ovens. The electric ovens provide for a more efficient use of energy and result in increased productivity and improved product quality.

New Products Successfully Launched

A number of new products were successfully launched in 1974 by Nabisco. All of these described below contributed to last year's strong results.

The Biscuit Division added two new snacks to its popular snack line—LIL' LOAF Snack Sticks and SKITTLE Chips.

The concept behind LIL' LOAF is French bread. The snack sticks, complete with the traditional split down the middle of French bread, are sprinkled liberally with sesame seeds and have the tangy buttery taste of French bread.

SKITTLE Chips, chip-shaped crackers, capture the atmosphere of the English countryside and the heartiness of chips from a

Nabisco's newest cookie and cracker bakery is located at Richmond, Virginia. Advanced technology and improved processes make this our most efficient bakery.


NABISCO
NABISCO

the record $92 million of 1973, without seriously affecting our operating plans. Tight controls were instituted on all proposed capital expenditures to insure attainment of an adequate return on investment. Details of our capital expenditure program are covered elsewhere in this report.

In the past year, increasing attention was paid to the important problem of energy usage. An aggressive conservation program was initiated which yielded a significant reduction in energy utilization, not only in natural gas, but in other energy sources (gasoline, fuel oil, electricity) as well. Many of our operations have propane standby units and additions are planned for 1975. Further savings of energy are planned for 1975.

Nabisco's bank lines of credit were strengthened during the year through the negotiation of new revolving credit agreements. With these agreements we are assured of aggregate borrowing facilities up to $150 million, of which $100 million will be provided by a group of U.S. banks, and $50 million by a group of foreign banks.

Over the last decade, Nabisco has grown from a specialty bakery products company into a diversified consumer products company, operating many profit centers around the world. We continue to believe the first standard for Nabisco must be to market quality products. In times of economic stress—times that require reduction of expenses and improved efficiency of operations—it will continue to be the policy of the company not only to maintain but to enhance the quality of our products. Consumers have learned to expect a high standard of value in Nabisco products, and we will make every effort to retain their confidence.

Growth in the range of our product lines, along with geographical expansion, placed greatly increased demands upon corporate and divisional management to deal effectively with rapidly changing conditions and to assure the continuing progress of the company. During 1974, we modified certain traditional line-staff relationships, whereby the operating divisions became more self-sufficient and were placed in a position to respond more quickly both to opportunities and to problem situations. Operating divisions were realigned, and the responsibilities and the working relationships of corporate staff departments were also redefined. We are confident that the effectiveness of our total organization has been enhanced and an increased management capability has been provided.

We wish to note certain changes in our Board of Directors. During the year, we were saddened by the death of Harrison F. Dunning, a valued member of the Board since 1963. Lawrence A. Appley, a member of the Board since 1961, retired. Their wise counsel and advice were greatly appreciated and will be missed. Elected to the Board in 1974 were Morris L. Levinson, President of Associated Products, Inc., a subsidiary of Nabisco, and James L. Hayes, President and Chief Executive Officer of the American Management Associations. In January, 1975, Dr. Helen A. Guthrie, Professor of Nutrition at Pennsylvania State University, was also elected to our Board.

In reviewing the past year and the many economic difficulties experienced, it is easy to fall into the trap of seeking aid through the panacea of wage, price and other controls. We believe that business firms—in fact, the nation—have never functioned effectively under such controls. We are convinced that the U.S. performs more efficiently under the competitive market system where the natural forces of supply and demand impose their own restrictions, and where freedom of choice prevails. This is especially true for a consumer goods business such as Nabisco that must be measured by its successful assessment of its markets and the desires of consumers.

The economic climate of 1974 tested the ability of Nabisco to operate successfully. Solid progress was made in many areas. We expect 1975 to bring many new challenges. We have formulated plans and strategies that we believe will further strengthen the company's base for sales and profit growth.

We wish to express our sincere appreciation to the 47,000 Nabisco employees for their dedicated efforts and loyalty to the company and convey to our shareholders our confidence in the future of Nabisco.

RMSchaeberle

Robert M. Schaeberle, *Chairman*

Val B. Diehl

Val B. Diehl, *President*

Val B. Diehl Robert M. Schaeberle

To Nabisco Shareholders

For Nabisco, Inc. the year 1974 was one of many positive achievements in spite of the severe economic pressures in the U.S. and overseas.

Sales for the year reached a record $1.79 billion, compared with $1.45 billion in 1973, an increase of 23 per cent. While substantial price increases were necessary in 1974 to cover sharply rising operating costs, unit sales volume increases were attained in many of our lines of business, and market penetration worldwide continued to expand.

Net earnings increased to $45.5 million, compared with $44.0 million in the prior year. Operating costs and interest expense increased sharply during the year, yet earnings reflect substantial improvement in the operating results of our U.S. food operations.

Per share earnings amounted to $2.85, up from $2.75 in 1973. The dividend was continued at the $2.30 per share annual rate, marking the 76th year of continuous dividends paid by Nabisco.

U.S. food operations showed remarkable strength in the face of the severe effects of inflation at the manufacturing level and at the retail sales level. In spite of the necessity to raise selling prices, the Biscuit Division reported higher unit volume. Profits in this division improved over last year's; however, profit margins are still below normal levels. We continue to place great value on the fine relationship Nabisco has always had with the retail trade, our first customers as we move product to the consumers. Results this past year confirm that our marketing efforts were very well accepted at retailer and consumer levels.

The Special Products Division (cereals and pet foods) also had a fine year, with results in ready-to-eat cereals particularly strong. For much of the year, economic indicators showed reduced consumer spending, yet this division's sales and profits improved substantially.

The Confectionery Division was affected by high commodity costs, particularly sugar and cocoa beans, but reported improved operating results. At Freezer Queen Foods, sales were approximately even with last year in a total market which was depressed. Competitive price pressures in the frozen food business prevented results from meeting expectations. This company also manufactures products for school feeding programs, a promising and expanding area for the future.

In non-food operations, strong marketing and promotion programs yielded many positive results. The J. B. Williams Company (pharmaceuticals and toiletries) reported higher sales and profits in 1974. Associated Products, Inc. (pet foods and home furnishings) also showed improvement in sales and earnings.

The Aurora toy and game sales for the year were slightly below expectations in a difficult year for the entire industry. Operating results were unprofitable and approximately equal to last year's performance. Its newly introduced AIR HOCKEY game sold extremely well and appears to have been one of the most popular game entries in the toy industry for 1974. We believe this division is well positioned to show improved results in 1975.

Nabisco's international operations were severely affected by price controls in a number of countries, which prevented us from recovering rapidly rising costs. Net earnings from international operations declined substantially from the prior year's levels. In spite of these difficult conditions, several areas reported improved operating results, especially Japan, Italy, Australasia and Latin America. Our Canadian operations were penalized by work stoppages in the third quarter that adversely impacted earnings and prevented what would have been a year of record sales and earnings. German operations continued to reflect unprofitable results. A major restructuring of these operations was effected in the latter part of the year, and improved results are expected in 1975.

Capital expenditures were carefully monitored and as a result held significantly below

NABISCO, INC.
425 PARK AVENUE, NEW YORK, N.Y. 10022
TELEPHONE NO. (212) 751-5000

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Financial Highlights
Dollars in Millions (Except per share data)

	1974	1973	% Change
Net Sales	**$1,793.1**	$1,454.6	23.3
Income from Operations	**114.4**	99.8	14.6
Net Income	**45.5**	44.0	3.4
Net Income per Dollar of Sales	**2.5 Cents**	3.0 Cents	(16.7)
Net Income per Common Share	**2.85**	2.75	3.6
Dividends Declared per Common Share	**2.30**	2.30	—
Dividends Declared	**36.7**	35.2	4.3
Capital Expenditures	**67.6**	92.1	(26.6)
Working Capital	**178.3**	215.1	(17.1)

Notice Of Annual Meeting
The annual meeting of shareholders will be held at 10:00 a.m. on Tuesday, April 29, 1975 in the Oval Room of the Copley Plaza Hotel at Copley Square in Boston, Massachusetts.

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